

**NORTHWEST SCHOOL  
DISTRICT**



**Jackson, Michigan**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2007**

# NORTHWEST SCHOOL DISTRICT

For the Year Ended June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

September 14, 2007

Board of Education  
Northwest School District  
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **NORTHWEST SCHOOL DISTRICT**, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of *Northwest School Districts'* management. Our responsibility is to express opinions on these financial statements based on our audit.

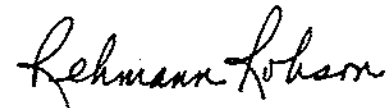
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the *Northwest School District* as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007 on our consideration of the *Northwest School District's* internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Northwest School District's* basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the *Northwest School District*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the *Northwest School District*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Johnson".

## MANAGEMENT'S DISCUSSION and ANALYSIS

## **Northwest Community Schools Management's Discussion & Analysis**

As management of Northwest Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year that ended June 30, 2007.

### **Financial Highlights**

- ❑ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$7,837,788 (net assets). Of this amount, \$2,073,380 (unrestricted net assets) may be used to meet the government's ongoing obligations for district programs.
- ❑ The government's total net assets increased by \$206,088.
- ❑ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,126,142, a decrease of \$75,417 in comparison with the prior year. Approximately 75.0% or \$2,345,475 is available for spending at the government's discretion (Unreserved fund balance.)
- ❑ At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,887,800 or 6.9% percent of total general fund expenditures.
- ❑ Investments for the future were made by the spending of approximately \$1,109,000 on school facilities improvements, vehicles, and equipment.

### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

This report also contains other supplementary information in addition to the basic financial statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the private business sector.

The statement of net assets presents information on all of the District's assets and liabilities, with difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported, as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the district include instruction, support services, food services, athletics, and community service. The District has no business-type activities as of and for the year ending June 30, 2007.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Readers may get a better understanding of the long-term impact of the government's near-term financing decisions by doing it this way. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides, a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects funds, each of which are considered to be a major fund. Data from the six other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General and Special Revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the Fund Financial Statement section.

### **Other Information**

The combining statements, referred to earlier, in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found following the Notes to the Financial Statement section.



## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,837,788 at the close of the most recent fiscal year.

A portion of the District's net assets (70.2%) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### District's Net Assets

	<u>Governmental Activities 2006-2007</u>	<u>Governmental Activities 2005-2006</u>
Current and Other Assets	\$ 9,133,774	\$ 6,601,143
Capital Assets, Net	7,572,489	7,417,088
<b>Total Assets</b>	<b>16,706,263</b>	<b>14,018,231</b>
Current Liabilities Outstanding	6,323,925	3,669,337
Other Liabilities	2,544,550	2,717,194
<b>Total Liabilities</b>	<b>8,868,475</b>	<b>7,271,784</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	5,504,833	5,111,482
Restricted	259,575	17,352
Unrestricted	2,073,380	2,502,866
<b>Total Net Assets</b>	<b>\$ 7,837,788</b>	<b>\$ 7,631,700</b>

An additional portion of the District's net assets (3.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (26.5% or \$2,073,380) may be used to meet the government's ongoing obligations to its programs.

At the end of the current fiscal year, the District was able to report positive balances in the two categories of net assets, both for the government as a whole, as well as for its separate governmental-type activities.

The government's net assets increased by \$206,088 during the current fiscal year.

### District Changes in Net Assets

Revenue	<u>Governmental Activities</u>	
	<u>2006-2007</u>	<u>2005-2006</u>
<b>General Revenue:</b>		
Property Taxes	\$ 3,417,657	\$ 3,117,304
State School Aid	19,442,996	19,438,391
Grants & contributions-not Restricted to Specific Programs	2,032,933	2,112,162
Other	178,664	127,783
<b>Total Revenue</b>	<b>25,072,250</b>	<b>24,795,640</b>
<b>Expenses:</b>		
Instruction	15,190,257	15,616,938
Support Services	8,973,230	9,557,835
Food Service	11,864	44,768
Athletics	276,791	286,509
Community Service	(55,457)	(23,808)
Depreciation- Unallocated	400,510	345,701
Interest on Long-Term Debt	68,967	74,382
<b>Total Expenses</b>	<b>24,866,162</b>	<b>25,902,325</b>
<b>Increase in Net Assets</b>	<b>206,088</b>	<b>(1,106,685)</b>
Net Assets, Beginning of Fiscal Year	7,631,700	8,738,385
<b>Net Assets, End of Fiscal Year</b>	<b>\$ 7,837,788</b>	<b>\$ 7,631,700</b>

### Governmental Activities

Net assets increased approximately \$206,088. Some key elements of this increase are as follows:

- Long term debt and capital outlay payments were an expense in the Fund Level reports but not in the Governmental Wide Financial statements.

## **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,126,142 a decrease of \$75,417 in comparison with the prior year. Approximately 75.0% of this total amount (2.345 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because the underlying assets are included in inventory and prepaid items or reserved for debt retirement, and is not available for current expenditure.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,887,800 while total fund balance was \$2,619,051. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 6.6 % and 9.1 % of total General Fund expenditures.

The fund balance of the District's General Fund decreased by \$11,075 during the current fiscal year due to a planned use of fund balance.

The Capital Projects fund incurred approximately \$165,789 in improvement projects during the year. An operating transfer was made of \$93,936, leaving a fund balance of \$241,075.

## **General Fund Budgetary Highlights**

Differences between the original and final amended budgets allows for a worse case scenario. Once additional information was known, including pupil counts and the foundation allowance amount for 2006-2007, subsequent budget amendments recognized a decrease in revenues, along with a corresponding decrease in planned expenditures to various District programs.

## Capital Asset and Debt Administration

### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$7,572,489 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 2.1% (all in governmental activities).

Major capital asset events during the current fiscal year included the following:

- ❑ Approximately \$368,500 for building improvement projects, such as roof replacement, facilities improvements, and other miscellaneous projects.
- ❑ Approximately \$246,000 for 4 new buses.

#### District's Capital Assets (Net of Depreciation)

		2007	2006
Land and land improvements	\$	1,145,527	\$ 1,096,125
Buildings		5,059,256	4,943,723
Vehicles		828,077	745,236
Equipment		539,629	632,004
<b>Total Capital Assets</b>	<b>\$</b>	<b>7,572,489</b>	<b>\$ 7,417,088</b>

Additional information on the District's capital assets can be found in Note III-C of the Notes to this report.

### Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$1,634,127. Additionally, the District has capital leases payable outstanding at June 30, 2007, of \$582,656. Voluntary retirement incentive, severance pay, and sick leave payable amounts to \$785,218 at June 30, 2007.

Additional information in the District's long-term debt can be found in Note III-F of the Notes to this report.

## **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2007-2008 fiscal year:

- ☐ No increase in the foundation allowance (estimated at \$7,000).
- ☐ Cuts in certain budget areas remain in place in anticipation of a continuation of the financial pinch in 2007-2008.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 4000 Van Horn Road, Jackson, Michigan 49201.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# NORTHWEST SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 162,060
Investments	4,335,960
Accounts receivable	102,648
Due from other governmental units	3,770,939
Prepaid items and other assets	762,167
Total current assets	<u>9,133,774</u>
Noncurrent assets:	
Capital assets not being depreciated	706,777
Capital assets being depreciated	18,196,532
Less accumulated depreciation	<u>(11,330,820)</u>
Total noncurrent assets	<u>7,572,489</u>
Total assets	<u>16,706,263</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,981,276
Salaries payable	2,785,860
Due to other governments	71,469
Unearned revenue	27,869
Current portion of long-term obligations	399,599
Current portion of accrued severance and sick leave payable	57,852
Total current liabilities	<u>6,323,925</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations	1,817,184
Noncurrent portion of accrued severance and sick leave payable	727,366
Total noncurrent liabilities	<u>2,544,550</u>
Total liabilities	<u>8,868,475</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	5,504,833
Restricted for:	
Debt service	18,500
Capital projects	241,075
Unrestricted	<u>2,073,380</u>
Total net assets	<u>\$ 7,837,788</u>

The accompanying notes are an integral part of these financial statements.



# NORTHWEST SCHOOL DISTRICT

## Statement of Activities For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Basic programs	\$ 13,010,233	\$ -	\$ -	\$ -	\$ (13,010,233)
Added needs:					
Special education	3,101,609	-	1,340,718	-	(1,760,891)
Community enrichment	53,708	-	-	-	(53,708)
Total instruction	17,623,227	-	2,429,782	3,188	(15,190,257)
Support services:					
Pupil	1,079,749	-	-	-	(1,079,749)
Instructional services	519,414	-	1,367	-	(518,047)
General administration	1,059,879	-	-	-	(1,059,879)
School administration	1,988,676	-	-	-	(1,988,676)
Business	222,019	-	-	-	(222,019)
Maintenance	2,281,881	-	-	-	(2,281,881)
Transportation	1,822,979	-	-	-	(1,822,979)
Total support services	8,974,597	-	1,367	-	(8,973,230)
Athletics	418,450	141,659	-	-	(276,791)
Bookstore	618	675	-	-	57
Child care activities	358,709	408,044	6,065	-	55,400
Food service	1,146,973	585,748	549,361	-	(11,864)
Depreciation - unallocated	400,510	-	-	-	(400,510)
Interest on long-term debt	68,967	-	-	-	(68,967)
Total governmental activities	\$ 28,992,051	\$ 1,136,126	\$ 2,986,575	\$ 3,188	\$ (24,866,162)

The accompanying notes are an integral part of these financial statements.

# NORTHWEST SCHOOL DISTRICT

## Statement of Activities (concluded)

For the Year Ended June 30, 2007

	Governmental Activities
Changes in net assets	
Net (expense) revenue	<u>\$ (24,866,162)</u>
General revenues:	
Property taxes	3,417,657
State school aid	19,442,996
Grants and contributions not restricted to specific programs	2,032,933
Unrestricted investment earnings	<u>178,664</u>
Total general revenues	<u>25,072,250</u>
Change in net assets	206,088
Net assets, beginning of year, as restated	<u>7,631,700</u>
Net assets, end of year	<u><u>\$ 7,837,788</u></u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

# NORTHWEST SCHOOL DISTRICT

## Balance Sheet Governmental Funds June 30, 2007

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 22,822	\$ 114,988	\$ 24,250	\$ 162,060
Investments	3,984,769	126,087	225,104	4,335,960
Delinquent taxes receivable	101,654	-	-	101,654
Accounts receivable	994	-	-	994
Due from other governmental units	3,621,812	-	149,127	3,770,939
Inventories	147,642	-	30,916	178,558
Prepays	583,609	-	-	583,609
<b><u>TOTAL ASSETS</u></b>	<b>\$ 8,463,302</b>	<b>\$ 241,075</b>	<b>\$ 429,397</b>	<b>\$ 9,133,774</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 122,084	\$ -	\$ -	\$ 122,084
Salaries payable	2,785,860	-	-	2,785,860
Due to other governmental units	71,469	-	-	71,469
Property taxes payable	354,498	-	-	354,498
Severance pay, sick leave and retirement incentive payable	96,725	-	-	96,725
Deferred revenue	13,615	-	163,381	176,996
Notes payable	2,400,000	-	-	2,400,000
Total liabilities	5,844,251	-	163,381	6,007,632
<b>Fund Balances</b>				
Reserved for inventories and prepaid items	731,251	-	30,916	762,167
Reserved for debt service	-	-	18,500	18,500
Unreserved, undesignated, reported in:				
General fund	1,887,800	-	-	1,887,800
Special revenue funds	-	-	216,600	216,600
Capital projects fund	-	241,075	-	241,075
Total fund balances	2,619,051	241,075	266,016	3,126,142
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 8,463,302</b>	<b>\$ 241,075</b>	<b>\$ 429,397</b>	<b>\$ 9,133,774</b>

The accompanying notes are an integral part of these financial statements.

**NORTHWEST SCHOOL DISTRICT**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 3,126,142
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	18,903,309
Deduct: accumulated depreciation	(11,330,820)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable	149,127
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(1,634,127)
Deduct: capital leases payable	(582,656)
Deduct: accrued interest on bonds payable	(7,969)
Deduct: compensated absences, retirement incentives, and severance pay	(785,218)

Net assets of governmental activities	<u>\$ 7,837,788</u>
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The accompanying notes are an integral part of these financial statements.

**NORTHWEST SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 3,417,657	\$ -	\$ -	\$ 3,417,657
Other local sources	2,150,590	12,314	987,366	3,150,270
State sources	21,417,248	-	172,087	21,589,335
Federal sources	556,889	-	499,434	1,056,323
Total revenues	27,542,384	12,314	1,658,887	29,213,585
<b>Expenditures</b>				
Instruction:				
Basic programs	13,079,138	-	-	13,079,138
Added needs:				
Special education	3,101,609	-	-	3,101,609
Other added needs	1,229,937	-	-	1,229,937
Alternative education	227,740	-	-	227,740
Community enrichment	53,708	-	-	53,708
Total instruction	17,692,132	-	-	17,692,132
Support services:				
Pupil	1,079,749	-	-	1,079,749
Instructional services	527,364	-	-	527,364
General administration	1,059,879	-	-	1,059,879
School administration	1,988,676	-	-	1,988,676
Business	222,019	-	-	222,019
Maintenance	2,617,245	-	-	2,617,245
Transportation	1,905,820	-	-	1,905,820
Total support services	9,400,752	-	-	9,400,752
Athletics	-	-	403,059	403,059
Bookstore	-	-	618	618
Child care activities	-	-	358,255	358,255
Food service	-	-	1,145,387	1,145,387
Debt service	453,319	55,233	309	508,861
Capital outlay and maintenance	-	110,556	36,631	147,187
Total expenditures	27,546,203	165,789	1,944,259	29,656,251
Revenues under expenditures	(3,819)	(153,475)	(285,372)	(442,666)
<b>Other financing sources (uses)</b>				
Proceeds from capital lease	367,249	-	-	367,249
Transfers in	-	93,936	280,569	374,505
Transfers out	(374,505)	-	-	(374,505)
Total other financing sources (uses)	(7,256)	93,936	280,569	367,249
Net change in fund balances	(11,075)	(59,539)	(4,803)	(75,417)
Fund balances, beginning of year	2,630,126	300,614	270,819	3,201,559
Fund balances, end of year	\$ 2,619,051	\$ 241,075	\$ 266,016	\$ 3,126,142

The accompanying notes are an integral part of these financial statements.

**NORTHWEST SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds \$ (75,417)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	719,154
Deduct: depreciation expense.	(563,753)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: payments received on long-term Durant Settlement receivable	(15,446)
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Bond and capital lease proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds or obtaining financing through capital leases increases long-term liabilities in the statement of net assets. Repayment of bond principal or other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: capital lease proceeds	(367,249)
Add: principal payments on bonds	180,446
Add: payments on other long-term liabilities	315,646

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	6,453
Add: decrease in compensated absences payable	6,254

Change in net assets of governmental activities	\$ 206,088
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The accompanying notes are an integral part of these financial statements.

**NORTHWEST SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final Budget</u>
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 3,541,850	\$ 3,460,697	\$ 3,417,657	\$ (43,040)
Other local sources	2,113,189	2,141,833	2,150,590	8,757
State sources	22,094,862	21,412,549	21,417,248	4,699
Federal sources	661,476	656,557	556,889	(99,668)
Total revenues	28,411,377	27,671,636	27,542,384	(129,252)
<b>Expenditures</b>				
Instruction:				
Basic programs	14,636,785	13,258,923	13,079,138	(179,785)
Added needs:				
Special education	2,527,993	3,165,612	3,101,609	(64,003)
Other added needs	1,007,661	1,261,452	1,229,937	(31,515)
Alternative education	-	255,612	227,740	(27,872)
Community enrichment	7,011	61,952	53,708	(8,244)
Total instruction	18,179,450	18,003,551	17,692,132	(311,419)
Support services:				
Pupil	1,276,894	1,184,659	1,079,749	(104,910)
Instructional services	638,028	547,785	527,364	(20,421)
General administration	1,092,447	1,157,404	1,059,879	(97,525)
School administration	1,882,863	2,014,245	1,988,676	(25,569)
Business	192,843	235,150	222,019	(13,131)
Maintenance	2,603,704	2,731,455	2,617,245	(114,210)
Transportation	2,246,925	2,017,281	1,905,820	(111,461)
Total support services	9,933,704	9,887,979	9,400,752	(487,227)
Debt service	460,530	453,319	453,319	-
Total expenditures	28,573,684	28,344,849	27,546,203	(798,646)
Revenues over (under) expenditures	(162,307)	(673,213)	(3,819)	669,394
<b>Other financing sources (uses)</b>				
Proceeds from sale of leases	-	246,086	367,249	121,163
Transfers out	(374,505)	(374,505)	(374,505)	-
	(374,505)	(128,419)	(7,256)	121,163
Net change in fund balance	(536,812)	(801,632)	(11,075)	790,557
Fund balance, beginning of year	2,630,126	2,630,126	2,630,126	-
Fund balance, end of year	\$ 2,093,314	\$ 1,828,494	\$ 2,619,051	\$ 790,557

The accompanying notes are an integral part of these financial statements.



**NORTHWEST SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**June 30, 2007**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$      239,817</u>
 <b>Liabilities</b>	
Due to student groups	<u>\$      239,817</u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Northwest School District (the "District") has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency fund, which does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by transfers from other funds.

Additionally, the District reports the following fund types:

The *child-care fund* accounts for the community based child care programs sponsored by the District.

The *bookstore fund* accounts for the revenues and expenditures of the school store operation.

The *food service fund* accounts for the activities of the food service operation at the various cafeteria locations. The District charges users primarily for the direct costs of this program, which is subsidized by state and federal grants.

The *athletic fund* accounts for the various athletic programs offered by the District.

The *debt service funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### **D. Assets, liabilities and net assets or equity**

#### **1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### **3. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund and Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

#### **4. Capital assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	8
Equipment	3

### 5. *Compensated absences*

Employees are compensated for unused sick days; accordingly, a liability is recorded at fiscal year end for such unused time.

### 6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

##### *Statutory Authority*

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Asset follows:

##### Statement of Net Assets:

Cash and cash equivalents	\$ 162,060
Investments	<u>4,335,960</u>
	4,498,020

##### Statement of Fiduciary Net Assets:

Agency Fund:	
Cash and cash equivalents	<u>239,817</u>
	<u>\$ 4,737,837</u>

Bank deposits	\$ 23,098
Cash on hand	7,200
Investments in securities, mutual funds, and similar vehicles	<u>4,707,539</u>
	<u>\$ 4,737,837</u>

State statutes authorize the District to invest in:

- a) Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Bankers acceptances of United States banks.
- e) Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f) Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g) External investment pools as authorized by Public Act 20 as amended through 12/31/97.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments.

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Comerica School/Cash Investment Fund	n/a	\$ 4,691,900	Not rated
Michigan Liquid Asset Fund	n/a	<u>15,639</u>	S&P – AAAm
		<u>\$ 4,707,539</u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, the District's bank balances totaling \$23,098 were FDIC insured.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.



# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

### B. Receivables

Receivables in the governmental activities are 97% due from other governments and 3% other receivables and delinquent taxes receivable.

### C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 706,777	\$ -	\$ -	\$ 706,777
Construction in progress	389,348	-	389,348	-
Total capital assets not being depreciated	1,096,125	-	389,348	706,777
Capital assets being depreciated				
Land Improvements	-	466,755	-	466,755
Buildings and improvements	12,609,985	364,757	-	12,974,742
Vehicles	2,397,367	246,084	9,246	2,634,205
Equipment	2,089,924	30,906	-	2,120,830
Total capital assets being depreciated	17,097,276	1,108,502	9,246	18,196,532
Less accumulated depreciation for:				
Land Improvements	-	28,005	-	28,005
Buildings and improvements	7,666,262	249,224	-	7,915,486
Vehicles	1,652,131	163,243	9,246	1,806,128
Equipment	1,457,920	123,281	-	1,581,201
Total accumulated depreciation	10,776,313	563,753	9,246	11,330,820
Total capital assets being depreciated, net	6,320,963	544,749	-	6,865,712
Governmental activities capital assets, net	\$ 7,417,088	\$ 544,749	\$ 389,348	\$ 7,572,489

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Support Services:

Transportation	\$ 163,243
Depreciation - unallocated	<u>400,510</u>

<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 563,753</u></b>
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**D. Payables**

Accounts and accrued liabilities (all governmental activities) are 14% owed to other governmental units, 4% owed to vendors, 79% owed as a short-term note, and 3% owed to others.

**E. Interfund receivables, payables and transfers**

At June 30, 2007, interfund transfers consisted of the following:

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$ 374,505	\$ -
Capital Projects Fund	-	93,936
Nonmajor governmental funds	<u>-</u>	<u>280,569</u>
	<b><u>\$ 374,505</u></b>	<b><u>\$ 374,505</u></b>

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2007, there were no interfund balances.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

### F. Long-term debt

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	\$ 1,814,573	\$ -	\$ 180,446	\$ 1,634,127	\$ 175,000
Capital leases payable	491,033	367,249	275,626	582,656	224,599
Voluntary retirement incentive payable	45,187	-	16,270	28,917	12,852
Severance pay payable	326,100	-	23,750	302,350	40,000
Sick leave payable	460,205	-	6,254	453,951	5,000
	<u>\$ 3,137,098</u>	<u>\$ 367,249</u>	<u>\$ 502,346</u>	<u>\$ 3,002,001</u>	<u>\$ 457,451</u>

Long-term debt of the District consists of the following:

Bonds payable consist of the following issues:

\$278,720, 1998 Durant funding general obligation bonds payable in annual installments through May 2013; interest at 4.76%	\$ 149,127
\$1,350,000, 2003 Energy Conservation general obligation bonds payable in annual installments through May 1, 2013; interest from 2 to 3%	875,000
\$730,000, 2003 School Improvement general obligation bonds payable in annual installments through May 1, 2018; interest from 3 to 4.7%	<u>610,000</u>
	<u><b>\$1,634,127</b></u>

Capital lease obligations consist of 12 leases for school busses, computer equipment, portable buildings, and other equipment, with annual installments through 2012.

The Voluntary Retirement Incentive Payable includes payments under a plan made to fourteen (14) teachers who are taking early retirement incentive payments over five years, with payments which began September 1, 1994 and will end September 1, 2010.

Severance pay is generally vested after 15 years of service and is accumulative. Upon retirement, the employee will be paid a severance based on length of service at varying rates depending on employee classification.

Sick pay is vested and accumulative. Upon retirement, the employee will be paid their unused sick days at the rate of \$25 per day.

The voluntary retirement incentive payable, severance pay and sick pay are generally liquidated by the general fund.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

incentive are as follows:

Years Ending	Bonds		Capital leases		Voluntary Retirement Incentive	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	175,000	47,538	224,599	29,091	12,852	-
2009	195,512	47,648	186,948	16,902	11,246	-
2010	211,249	42,590	105,952	7,185	4,819	-
2011	217,023	36,442	58,730	2,566	-	-
2012	222,833	29,681	6,427	-	-	-
2013-2017	542,510	111,827				
2018	70,000	3,290				
	<u>\$ 1,634,127</u>	<u>\$ 319,016</u>	<u>\$ 582,656</u>	<u>\$ 55,744</u>	<u>\$ 28,917</u>	<u>\$ -</u>

The District has a short-term state aid note of \$2,400,000 included as a liability in the general fund as of June 30, 2007. The note carries an interest rate of 3.68% and is due August 20, 2007. A summary of short-term note activity follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Short-term notes payable	<u>\$ -</u>	<u>\$2,400,000</u>	<u>\$2,400,000</u>

#### IV. OTHER INFORMATION

##### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

##### B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 by seven Township governments whose boundaries include property within the District and are due on September 15. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties involved.

# NORTHWEST SCHOOL DISTRICT

## Notes to the Financial Statements

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### C. Defined benefit pension plan

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

#### Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2007, 2006 and 2005 were \$2,705,966, \$2,730,586 and \$2,285,818, respectively, equal to the required contributions for each year.

#### Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

\* \* \* \* \*

## COMBINING FINANCIAL STATEMENTS

**NORTHWEST SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	Special Revenue				Debt Service		Total Nonmajor Governmental Funds
	Child Care	Book- Store	Food Service	Athletic	1990 Debt	Durant Debt	
<b><u>ASSETS</u></b>							
Assets							
Cash and cash equivalents	\$ 150	\$ -	\$ 1,000	\$ 4,600	\$ 18,500	\$ -	\$ 24,250
Investments	82,439	5,749	84,324	52,592	-	-	225,104
Due from other governmental units	-	-	-	-	-	149,127	149,127
Inventories	-	-	30,916	-	-	-	30,916
<b><u>TOTAL ASSETS</u></b>	<b>\$ 82,589</b>	<b>\$ 5,749</b>	<b>\$ 116,240</b>	<b>\$ 57,192</b>	<b>\$ 18,500</b>	<b>\$ 149,127</b>	<b>\$ 429,397</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities							
Deferred revenue	\$ 14,254	\$ -	\$ -	\$ -	\$ -	\$ 149,127	\$ 163,381
Total liabilities	14,254	-	-	-	-	149,127	163,381
Fund balances							
Reserved for inventories	-	-	30,916	-	-	-	30,916
Reserved for debt service	-	-	-	-	18,500	-	18,500
Unreserved and undesignated	68,335	5,749	85,324	57,192	-	-	216,600
Total fund balances	68,335	5,749	116,240	57,192	18,500	-	266,016
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 82,589</b>	<b>\$ 5,749</b>	<b>\$ 116,240</b>	<b>\$ 57,192</b>	<b>\$ 18,500</b>	<b>\$ 149,127</b>	<b>\$ 429,397</b>

**NORTHWEST SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	Special Revenue				Debt Service		Total Nonmajor Governmental Funds
	Child Care	Book-Store	Food Service	Athletic	1990 Debt	Durant Debt	
<b>Revenues</b>							
Local sources:							
Other local sources	\$ 257,827	\$ 675	\$ 585,748	\$ 141,659	\$ 1,457	\$ -	\$ 987,366
State sources	118,025	-	54,062	-	-	-	172,087
Federal sources	4,135	-	495,299	-	-	-	499,434
Total revenues	379,987	675	1,135,109	141,659	1,457	-	1,658,887
<b>Expenditures</b>							
Athletics	-	-	-	403,059	-	-	403,059
Bookstore	-	618	-	-	-	-	618
Child care activities	358,255	-	-	-	-	-	358,255
Food service	-	-	1,145,387	-	-	-	1,145,387
Debt service	-	-	-	-	309	-	309
Capital outlay and maintenance	454	-	20,786	15,391	-	-	36,631
Total expenditures	358,709	618	1,166,173	418,450	309	-	1,944,259
Revenue over (under) expenditures	21,278	57	(31,064)	(276,791)	1,148	-	(285,372)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	280,569	-	-	280,569
Total other financing sources	-	-	-	280,569	-	-	280,569
Net change in fund balances	21,278	57	(31,064)	3,778	1,148	-	(4,803)
Fund balance, beginning of year	47,057	5,692	147,304	53,414	17,352	-	270,819
Fund balance, end of year	\$ 68,335	\$ 5,749	\$ 116,240	\$ 57,192	\$ 18,500	\$ -	\$ 266,016



## APPENDIX

# NORTHWEST SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award/ Grant Amount	Prior Year Expenditures	Accrued/ (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Receipts	Accrued/ (Deferred) Revenue June 30, 2007
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Passed-Through Michigan Department of Education:								
2005-06 Title I, Sch Imp 2%	84.010	051550-0506	\$ 45,000	\$ 45,000	\$ 16,329	\$ -	\$ 16,329	
2005-06 Title I, Part A	84.010	061530-0506	469,644	433,193	11,085	-	11,085	
2006-07 Title I, Part A	84.010	061530-0607	36,453	-	-	36,453	36,453	
2006-07 Title I, Part A	84.010	071530-0607	469,644	-	-	400,664	400,664	
<b>Total</b>			<b>1,020,741</b>	<b>478,193</b>	<b>27,414</b>	<b>437,117</b>	<b>464,531</b>	<b>-</b>
2005-06 Title V	84.298	060250-0506	1,440	1,390	1,390	-	1,390	
2006-07 Title V	84.298	060250-0607	50	-	-	50	25	
2006-07 Title V	84.298	070250-0607	706	-	-	483	483	
<b>Total</b>			<b>2,196</b>	<b>1,390</b>	<b>1,390</b>	<b>533</b>	<b>1,415</b>	<b>508</b>
2005-06 Technology Literacy Challenge Grant	84.318	064290-0506	5,573	5,573	4,704	-	4,704	
2006-07 Technology Literacy Challenge Grant	84.318	064290-0607	3,188	-	-	3,188	3,152	
2006-07 Technology Literacy Challenge Grant	84.318	074290-0607	4,821	-	-	-	-	
<b>Total</b>			<b>13,582</b>	<b>5,573</b>	<b>4,704</b>	<b>3,188</b>	<b>7,856</b>	<b>36</b>
2005-06 Improving Teacher Quality	84.367	060520-0506	126,435	109,661	32,694	-	32,694	
2006-07 Improving Teacher Quality	84.367	070520-0607	123,435	-	-	97,910	97,910	
2006-07 Improving Teacher Quality	84.367	060520-0607	16,774	-	-	16,774	16,774	
<b>Total</b>			<b>266,644</b>	<b>109,661</b>	<b>32,694</b>	<b>114,684</b>	<b>147,378</b>	<b>-</b>
<b>Subtotal passed-through State</b>			<b>1,303,163</b>	<b>594,817</b>	<b>66,202</b>	<b>555,522</b>	<b>621,180</b>	<b>544</b>
<b>Passed-Through Jackson County Intermediate School District:</b>								
Drug Free Schools	84.186	0607	1,367	-	-	1,367	1,367	
<b>Subtotal passed-through JCISD</b>			<b>1,367</b>	<b>-</b>	<b>-</b>	<b>1,367</b>	<b>1,367</b>	<b>-</b>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>1,304,530</b>	<b>594,817</b>	<b>66,202</b>	<b>556,889</b>	<b>622,547</b>	<b>544</b>

# NORTHWEST SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Approved Grant Award/ Grant Amount	Prior Year Expenditures	Accrued/ (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Receipts	Accrued/ (Deferred) Revenue June 30, 2007
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<b>Passed-Through Michigan Department of Education:</b>								
National School Lunch Program - 2005-06 Section 4	10.555	061950	\$ 6,149	\$ 8,065	\$ -	\$ 6,149	\$ -	\$ 6,149
2006-07 Section 4	10.555	061950	51,433	49,168	-	51,433	-	51,433
National School Lunch Program - 2005-06 Section 11	10.555	071950	29,561	37,513	-	29,561	-	29,561
2006-07 Section 11	10.555	071960	263,400	226,173	-	263,400	-	263,400
<b>Total</b>			<b>350,543</b>	<b>320,919</b>	<b>-</b>	<b>350,543</b>	<b>-</b>	<b>350,543</b>
<b>National School Breakfast Program -</b>								
2005-06 Breakfast	10.553	061970	6,935	7,341	-	6,935	-	6,935
2006-07 Breakfast	10.553	071970	57,312	55,684	-	57,312	-	57,312
<b>Total</b>			<b>64,247</b>	<b>63,025</b>	<b>-</b>	<b>64,247</b>	<b>-</b>	<b>64,247</b>
<b>2005-06 Childcare Food Program</b>								
2006-07 Childcare Food Program	10.558	061920	1,057	1,275	-	1,057	-	1,057
<b>Total</b>	10.558	071920	3,078	4,003	-	3,078	-	3,078
<b>Direct Award:</b>			<b>4,135</b>	<b>5,278</b>	<b>-</b>	<b>4,135</b>	<b>-</b>	<b>4,135</b>
<b>Food Distribution Entitlement Commodities</b>								
	10.550		80,509	-	-	80,509	-	80,509
<b>Total</b>			<b>80,509</b>	<b>-</b>	<b>-</b>	<b>80,509</b>	<b>-</b>	<b>80,509</b>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>499,434</b>	<b>389,222</b>	<b>-</b>	<b>499,434</b>	<b>-</b>	<b>499,434</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 1,803,964</b>	<b>\$ 984,039</b>	<b>\$ 66,202</b>	<b>\$ 1,056,323</b>	<b>\$ 1,121,981</b>	<b>\$ 544</b>

1. The accounting policies used in preparing this schedule conform to generally accepted accounting principles applicable to governments.
2. The District utilized the modified accrual basis of accounting in preparing the Schedule.
3. Expenditures in this Schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to MDE.
3. Management has utilized the Grant Section Auditors Report (R7120) in preparing this Schedule.



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 14, 2007

Board of Education  
Northwest School District  
Jackson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **NORTHWEST SCHOOL DISTRICT** as of and for the year ended June 30, 2007, and have issued our report thereon dated September 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northwest School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of the Northwest School District in a separate letter dated September 14, 2007.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Lohman".



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 14, 2007

Board of Education  
Northwest School District  
Jackson, Michigan

### **Compliance**

We have audited the compliance of **NORTHWEST SCHOOL DISTRICT** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Northwest School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest School District's management. Our responsibility is to express an opinion on Northwest School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest School District's compliance with those requirements.

In our opinion, Northwest School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

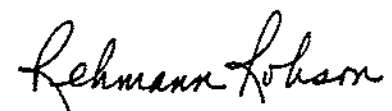
The management of Northwest School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northwest School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



# NORTHWEST SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes X no



# NORTHWEST SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2007

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes        no

### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

### SECTION IV - PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

September 14, 2007

To the Board of Education of the  
Northwest School District  
Jackson, Michigan

We have audited the financial statements of Northwest School District for the year ended June 30, 2007 and have issued our report thereon dated September 14, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated June 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Northwest School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Northwest School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Northwest School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Northwest School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Northwest School District's compliance with those requirements.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northwest School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Northwest School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Northwest School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Northwest School District, either individually or in the aggregate, indicate matters that could have a significant effect on Northwest School District's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

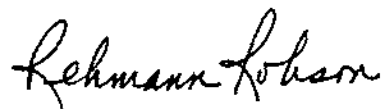
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Northwest School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter the accompanying memorandum are intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Lehmann Lobson". The signature is written in dark ink and is positioned below the "Very truly yours," text.

## **Northwest School District**

### **Comments and Recommendations**

**For the Year Ended June 30, 2007**

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In planning and performing our audit of the financial statements of Northwest School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Northwest School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest School District's internal control.

However, during our audit, we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that follows summarizes our comments and suggestions regarding this matter. A separate report dated September 14, 2007 contains our report on significant deficiencies in the District's internal control. No material weaknesses were noted in that report. This letter does not affect our report dated September, 14, 2007 on the financial statements of Northwest School District.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with District personnel, and we will be pleased to discuss it in further detail at your convenience, or to assist you in implementing the recommendation.

#### **Other Matter**

##### **ACH Wire transfers**

From time to time, ACH transfers among District bank and investment accounts are initiated by the Budget and Finance Supervisor. Presently, there is no approval of these transactions by someone independent of the Budget and Finance Supervisor. In order to enhance the internal controls in this area, we recommend that each ACH wire transfer be approved by an individual independent of the person responsible for initiation of the transaction.

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